Annual Report 2016

BIAFO INDUSTRIES LIMITED

Manufacturers of Tovex® Explosives & Blasting Accessories

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

M. Afzal Khan	Deputy Chairman
Khawaja Amanullah Askari	Managing Director & Chief Executive Officer
Maj. Gen. (Ret'd.) S. Z. M. Askree	Director
Ms. Shirin Safdar	Director

Non Executive Directors

Dr. M. Humayun Khan	Chairman
Abdul Maajid Qureshi	Director
M. Salim Khan	Director
M. Zafar Khan	Director
Adnan Aurangzeb	Director
Ms. Zishan Afzal Khan	Director

Independent Directors

Khwaja Ahmad Hosain	Director
Muhammad Yaqoob	Director

Company Secretary
Khawaja Shaiq Tanveer

Chief Financial Officer
Syed Sajid Hussain Shah

Audit Committee

Muhammad Yaqoob	Chairman
Adnan Aurangzeb	Member
Abdul Maajid Qureshi	Member
M. Salim Khan	Member
Khwaja Ahmad Hosain	Member
Dr. M. Humayun Khan	Member

HR & Remuneration Committee

Dr. M. Humayun Khan	Chairman
M. Salim Khan	Member
Khwaja Ahmad Hosain	Member
Khawaja Amanullah Askari	Member
Muhammad Yaqoob	Member
Adnan Aurangzeb	Member

Auditors
KPMG Taseer Hadi & Co. Chartered Accountants

Legal Advisors
Chima & Ibrahim

Bankers

Allied Bank of Pakistan	Bank Alfalah Limited
National Bank of Pakistan	United Bank Limited
Bank of Khyber	Faysal Bank Limited
Askari Bank Limited	MCB Bank Limited

Registered Office
Biafo Industries Limited
1st Floor, Biafo House, Plot No. 23, St No. 38-40, I&T Centre, G-10/4, Islamabad, Pakistan.
Tel: +92 51 2353450-53, 2353455-57, Fax: +92 51 2353458
Website: www.biafo.com, E-mail: management@biafo.com, biafo@hotmail.com

Factory
Biafo Industries Limited
Plot No: 70, Phase III, Industrial Estate, Hattar, Distt Haripur, Khyber Pakhtunkhwa, Pakistan.
Tel: +92 995 617830, Fax: +92 995 617497
Website: www.biafo.com, E-mail: plant@biafo.com, biafoplant@hotmail.com

Shares Registrar
Riasat Ishtiaq Consulting (Pvt) Limited
Office No. 19-20, 2nd Floor, Hill View Plaza, Jinnah Avenue, Blue Area, Islamabad, Pakistan.
Tel: +92 51 2344223-4, Fax: +92 51 2605658

NOTICE OF 28TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the 28th Annual General Meeting of Biafo Industries Limited will be held on Friday 28th October 2016 at 11:00 a.m. at 1st Floor, Biafo House, Plot No. 23, St No. 38-40, I&T Centre, G-10/4, Islamabad, to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 27th Annual General Meeting held on 12th October 2015.

2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 2016 together with Auditors' report and Directors' report thereon.

3. To approve the payment of final dividend of Rs 7.50 per share (75%) and also the interim dividends of Rs 2.50 per share (25%) declared on October 27, 2015, Rs. 4.00 per share (40%) declared on February 18, 2016 and Rs 5.50 per share (55%) declared on April 22, 2016 making a total of Rs 19.50 per share (195%) for the year ended June 30, 2016.

4. To appoint Auditors for the year 2016-17 and to fix their remuneration. Retiring Auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants being eligible offer themselves for reappointment for the year 2016-17.

5. To elect 12 directors in accordance with the provisions of the Companies Ordinance, 1984.

SPECIAL BUSINESS

6. To consider the increase of authorized share capital of the Company from Rs.250 million to Rs.600 million divided into 60,000,000 ordinary shares of Rs.10/- each and to consider and if thought fit to pass the following resolution as special resolution:

   "**RESOLVED** that the authorized share capital of the Company be and is hereby increased from Rs.250,000,000 divided into 25,000,000 ordinary shares of Rs.10 each to Rs. 600,000,000 divided into 60,000,000 ordinary shares of Rs.10 each, by the creation of 35,000,000 additional ordinary shares at nominal value of Rs.10 each to rank pari passu in every respect with the existing ordinary shares of the Company.

   FURTHER RESOLVED that the Memorandum and Articles of Association of the Company be and are hereby altered for increase in authorized share capital to read as follows:

   - Clause IV of Memorandum of Association "The authorized capital of the Company is Rs. 600,000,000 divided into 60,000,000 ordinary shares of Rs.10 each."

   - Article 3 of Articles of Association "The authorized capital of the Company is Rs. 600,000,000 divided into 60,000,000 ordinary shares of Rs.10 each."

FURTHER RESOLVED that Mr. Khawaja Shaiq Tanveer, Secretary of the Company be and is hereby authorized to do all acts, deeds and things, take any or all necessary actions to complete all legal formalities and file all necessary documents as may be necessary or incidental for the purpose of implementation the aforesaid resolution.

6. To transact such other business as may be placed before the meeting with the permission of the Chairman.

By order of the Board

Khawaja Shaiq Tanveer
Company Secretary

Islamabad: 23 September, 2016

NOTES:

1. The Board has fixed the number of Director at 12 and the following 9 retiring Directors being eligible offer themselves for re-election.

1) M. Humayun Khan	2) M. Afzal Khan	3) Ms. Shirin Safdar
4) Maj. Gen (R) S.Z.M Askree	5) M. Salim Khan	6) Khwaja Ahmad Hosain
7) M. Zafar Khan	8) Adnan Aurangzeb	9) Ms. Zishan Afzal Khan

2. Share Transfer Books of the Company will remain closed from 20th October 2016 to 28th October 2016 both days inclusive.

3. A member entitled to attend and vote at the meeting shall be entitled to appoint another person, as his/her and proxy to attend, demand or join in demanding a poll, speak and vote instead of his/her and a proxy so appointed shall have such rights, as attending, speaking and voting at the meeting as are available to a member. Proxies in order to be effective must be received at the registered office of the company not later than 48 hours before the meeting duly stamped, signed and witnessed. A proxy need not be a member of the Company.

4. CDC Shareholders or their proxies are required to bring with them their original National Identity cards or Passports along with the Participant's ID numbers and their Account Numbers at the time of attending the Annual General Meeting in order to authenticate their usual documents required for such purposes.

5. Shareholders are requested to promptly notify in writing to the Company of any change in their address.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting of the Company to be held on 28th October 2016 pertaining to increase in authorized share capital of the Company.

The existing Authorized Share Capital of the Company is Rs. 250,000,000 divided into 25,000,000 ordinary shares of Rs.10 each. Company needs additional funds to cater to its business growth. Additionally, with high potential for strategic investments in new and existing projects, the Company would need additional funds. The increase in Authorized Share Capital would be in the interest of the Company and its shareholders, whereas no prejudice will be caused to any shareholder. The interest of the Directors and Chief Executive Officer is only limited to the extent of their being Directors and Chief Executive Officer and ordinary shareholders of the Company. It is therefore proposed to increase the Authorized Share Capital so as to enable the Company to increase its paid-up capital by offering right shares to the members, in future as and when decided by the Board after fulfilling necessary legal and regulatory requirements.

The new ordinary shares when issued shall rank pari passu with the existing ordinary shares in all respects.

DIRECTORS' REPORT

Your Directors are pleased to present the 28th Annual Report of the Company for the year ended June 30th 2016.

SALES AND FINANCIAL RESULTS:

Net local Sales value increased by 3.39% to Rs. 1291.5m, while the value of export sales increased by 2.29% to Rs. 156.38m, resulting in overall net sales value increase by 3.27% to Rs.1447.88 m in the period under review.

The significant feature of our sales was increase in the value of sales to the Oil and Gas Exploration sector by 34.23%. However all other sectors have shown a decline on reducing demand in large projects/sectors because of maturing/completion of existing projects in construction and mining sector and in the distributorship sector due to regulatory/security reviews. Sales to the Duddar Lead and Zinc project saw significant increase after recommencement of operations after two and half years. Sales to Saindak Copper & Gold Mining project continues to decline due to maturing of the mine site extraction operations.

No new project came onstream in the period under review.

Gross profit margin increased by 2.23% to 46.65% reflecting increased Sales of higher value products to Oil and Gas Exploration sector as a proportion of net sales and the company's efforts in reducing raw material cost by way of alternative competitive price sourcing.

Operating income of the company increased by 2.33% to Rs. 558.71m. Net profit after tax increased by 1.5% to Rs. 398.43m resulting in EPS of Rs. 19.92 (2015 : EPS Rs. 19.63).

Your company was able to increase its financial assets/investment by Rs. 52.52m to Rs.439.43m, however income from the assets declined by Rs. 9.18 m to Rs. 25.62 m due to decline in the rate of return on the investment in mutual funds.

Financial cost declined by Rs. 0.93 m to Rs. 21.04 m due to the declining interest rate. Net worth of your Company for the period under review increased by Rs. 8.43 m to Rs. 924.54 m.

PRODUCTION:

Plant production team continued to perform satisfactorily in meeting the demand of the various products on timely basis to the customers.

Your company continues to invest resources to improving Production Capacity, Human Resource and Safe practices to enhance the confidence of its users, workforce and stakeholders.

DIRECTORS' REPORT

The company has renewed OHSAS (Occupational Health and Safety Advisory Services) 18001 : 2007 and ISO 9001 : 2008 Certifications.

FUTURE PROSPECTS:

While the Government of Pakistan and China have committed themselves to significant investment in Pakistan in Energy, Communication and Infrastructure sector of Pakistan, progress has not been rapid as need of the country. Work on the Hydel projects like Dasu, Suki Kinari, Karot, Mahl, and Tarbella 5th Extension is still to commence while progress on Bhasha, Munda Dam, Kohala Dam and Bunji Dam etc. has not taken concrete shape yet. Progress on the Road network is behind schedule, but we are hopeful it will speed-up in the next financial year.

The Cement sector has also indicated additional units in the next 3 to 4 years to add approximately 6-8 million metric tons additional capacity in expectation of CPEC business opportunities and local demand. We are hopeful the Oil and Gas Exploration sector will continue to remain active in the coming years.

DIVIDEND:

Board has approved of Rs. 7.50 per share 75% and also the 1st Interim cash dividend of Rs. 2.50 per share (25%) declared on October 27, 2015 and 2nd Interim cash dividend of Rs. 4.00 per share (40%) declared on February 18, 2016 and 3rd Interim cash dividend of Rs. 5.50 per share (55%) declared on April 22, 2016 for the year ended June, 2016 making a total dividend of declaration of Rs. 19.50 per share (195%) for financial year end 30th June, 2016.

CODE OF CORPORATE GOVERNANCE

We are pleased to report that the Company has taken necessary measures to comply with the provision of the code of Corporate Governance as incorporated in listing regulations of the Stock Exchanges.

The Board regularly reviews the company's strategic direction. Business plans and targets are set by the Chief Executive & are reviewed by the Board. The Board is committed to maintain a high standard of good corporate governance. The company is in the process of implementing the provisions set out by Securities & Exchange Commission of Pakistan (SECP) and the accordingly amended listing rules by Stock Exchanges.

As required by the Code of Corporate Governance, your Directors are pleased to report that:

- Financial statements prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flow & changes in equity.

DIRECTORS' REPORT

- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable & prudent judgment.
- International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt about the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2016 except for those stated in the financial statements.
- Six directors of the Company are exempted from Directors Training Program on the basis of their level of education and length of experience as provided in the CCG. Further four of the directors of the Company have obtained certification under Directors training program as required under clause (xi) of the CCG. None of the Directors had attended any training program during the year.
- The values of investment of various funds, based on their respective accounts as at 30 June 2016 are as under:

Description	Amount
Provident Fund	Rs. 48,362,818/-
Gratuity Fund	Rs. 32,429,852/-

A total of 04 meetings of the Board of Directors were held during year (July 2015 to June 2016). The attendance by each Director is given as follows:

NAME ATTENDED	DESIGNATION	NO. OF MEETINGS
Dr. M. Humayun Khan	Chairman	4
Khawaja Amanullah Askari	MD & CEO	4
M. Afzal Khan	Director	4

DIRECTORS' REPORT

Abdul Maajid Qureshi	Director	3
M. Salim Khan	Director	4
M. Zafar Khan	Director	4
Adnan Aurangzeb	Director	3
Maj. Gen. (Ret'd.) S. Z. M. Askree	Director	4
Khwaja Ahmad Hosain	Director	4
Muhammad Yaqoob	Director	4
Ms. Shirin Safdar	Director	3
Ms. Zishan Afzal Khan	Director	3
(Alternate Director: Ms Mehreen Hosain)		1

Leave of absence is granted in all cases to the Directors.

A total of 04 meetings of Audit Committee were held during the year (July 2015 to June 2016). The attendance by each member is given as follows:

NAME ATTENDED	DESIGNATION	NO. OF MEETINGS
Muhammad Yaqoob	Chairman	4
Abdul Maajid Qureshi	Member	3
M. Salim Khan	Member	4
Adnan Aurangzeb	Member	3
Dr. M. Humayun Khan	Member	4
Khwaja Ahmad Hosain	Member	4

Leave of absence is granted in all cases to the Members.

A total of 04 meetings of the Human Resource & Remuneration Committee were held during year (July 2015 to June 2016). The attendance by each member is given as follows:

NAME ATTENDED	DESIGNATION	NO. OF MEETINGS
Dr. M. Humayun Khan	Chairman	4
Khawaja Amanullah Askari	Member	4
M. Salim Khan	Member	4
Adnan Aurangzeb	Member	3
Khwaja Ahmad Hosain	Member	3
Muhammad Yaqoob	Member	4

Leave of absence is granted in all cases to the Members.

DIRECTORS' REPORT

KEY OPERATING AND FINANCIAL DATA

Key operating and financial data of last six years is enclosed.

AUDITORS

The present auditors M/s KPMG Taseer Hadi & Company, Chartered Accountants retire and being eligible offer themselves for reappointment.

ACKNOWLEDGEMENT

Your Board would like to take this opportunity to express its special appreciation to all the employees of the company without whose continued commitment and hard work the challenges of new opportunities could not be achieved. We also acknowledge the support and cooperation of our major stakeholders, customers, suppliers and our Bankers specially Allied Bank Ltd, Faysal Bank Ltd, MCB Bank Ltd, United Bank Ltd, Bank of Khyber, National Bank of Pakistan.

The Chief Executive collected on behalf of the company Pakistan Stock Exchange's **"TOP 25 COMPANIES AWARD 2014-2015"** from His Excellency Muhammad Nawaz Sharif, Prime Minister of the Islamic Republic of Pakistan on 8th September, 2016 in Karachi, see attached page 10) with these fresh award Biafo Industries Ltd has now been awarded **"TOP 25 COMPANIES AWARD"** for 4 consecutive years (2012-2015) by Pakistan (Karachi) Stock Exchange. This is a reflection of the spirit of dedication and hard work of team members of Biafo.

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PATTERN OF SHARE HOLDING

Pattern of share holding is enclosed.

On Behalf of the Board

Askari

Islamabad
23 September, 2016

Khawaja Amanullah Askari
Managing Director
&
Chief Executive Officer

PAKISTAN STOCK EXCHANGE LIMITED

TOP 25 COMPANIES AWARDS 2014 – 2015

RECOGNIZING THE CORPORATE LEADERS WHO ARE CONTRIBUTING TO PAKISTAN'S GROWTH, SHAREHOLDER VALUE AND SOCIETY'S WELFARE

PRESENTED TO

BIAFO INDUSTRIES LIMITED

FOR THE YEAR 2014 & 2015

BY

MR. MUHAMMAD NAWAZ SHARIF

HONORABLE PRIME MINISTER OF THE ISLAMIC REPUBLIC OF PAKISTAN

AT THE CEREMONY
HELD ON SEPTEMBER 8, 2016 AT PAF MUSEUM, FUNCTION HALL,
SHAHRAH-E-FAISAL, KARACHI.

PAKISTAN STOCK EXCHANGE LIMITED

(FORMERLY: KARACHI STOCK EXCHANGE LIMITED)

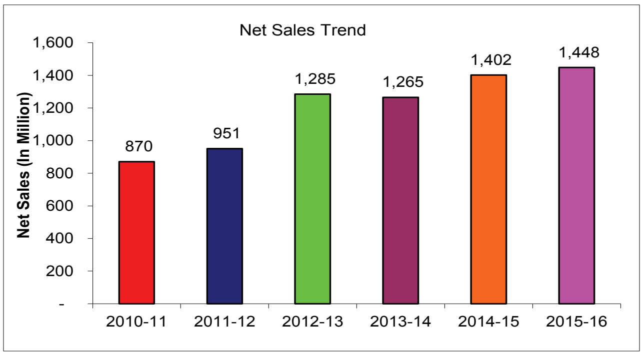
STAKEHOLDERS INFORMATION

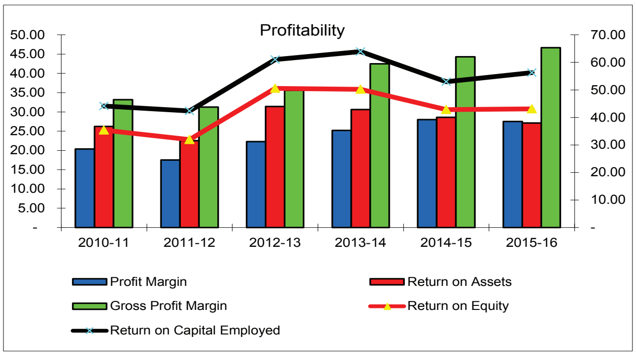
(In Thousands, "000")

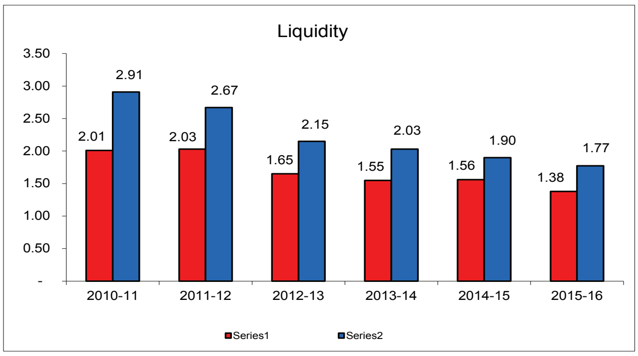
		2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
BALANCE SHEET							
Paid up Capital	Rs. In '000	**200,000**	200,000	200,000	200,000	200,000	200,000
Shareholder Equity*	Rs. In '000	**924,547**	916,112	634,347	566,043	522,035	501,425
Fixed Assets	Rs. In '000	**566,745**	556,371	283,730	257,352	257,857	265,807
Fixed Assest Addition	Rs. In '000	**31,420**	75,750	44,347	16,561	8,734	12,338
Profit & Loss Account							
Net Sales	Rs. In '000	**1,447,883**	1,401,982	1,264,579	1,284,691	951,071	870,365
Gross Profit / (Loss)	Rs. In '000	**675,500**	621,458	537,456	457,449	297,448	288,691
Operating Profit / (Loss)	Rs. In '000	**558,706**	546,540	464,560	397,251	254,256	254,060
EBDIT	Rs. In '000	**559,936**	545,923	463,079	398,405	257,705	255,800
Profit / (Loss) after taxation	Rs. In '000	**398,435**	392,542	318,641	286,261	166,610	177,353
PROFITABILITY RATIOS							
Gross Profit/(Loss) Margin	%	**46.65**	44.33	42.50	35.61	31.28	33.17
Net Profit Margin	%	**27.52**	28.00	25.20	22.28	17.52	20.38
Return on Assets*	%	**27.11**	28.58	30.61	31.43	22.55	26.24
Return on Shareholder Equity*	%	**43.10**	42.85	50.23	50.57	31.92	35.37
LIQUIDITY RATIOS							
Current Ratio	:	**1.77**	1.90	2.03	2.15	2.67	2.91
Quick Ratio	:	**1.38**	1.56	1.55	1.65	2.03	2.01
Cash Generation to Sales	:	**101.09**	97.59	98.25	95.42	97.93	97.55
ASSETS MANAGEMENT RATIOS							
Number of Days Stock	Days	**74**	70	78	54	63	74
Number of Days Trade Debts	Days	**53**	52	50	38	37	26
Operating Cycle	Days	**126**	122	127	92	101	99
Fixed Assets Turnover*	Times	**2.55**	2.52	4.46	4.99	3.69	3.27
Sales /Shareholder Equity*	Times	**1.57**	1.53	1.99	2.27	1.82	1.74
DEBTS MANAGEMENT RATIOS							
Total Assets to Total Debts*	Times	**2.89**	3.20	2.78	3.01	4.12	4.83
Debts to Shareholder Equity *	%	**55%**	47%	59%	53%	34%	28%
MARKET RATIOS							
Share Price at year end	Per Share	**260.00**	198.53	132.00	108.85	53.29	51.00
Share Price-High	Per Share	**329.00**	224.90	149.00	112.35	79.00	59.20
Share Price-Low	Per Share	**195.00**	127.50	90.25	52.00	47.00	31.64
Earning Per Share	Rs. 10/Share	**19.92**	19.63	15.93	14.31	8.33	8.87
Price Earning Ratio	Times	**13.05**	10.11	8.29	7.60	6.40	5.75
Dividend Declared	Per Share (Rs)	**19.50**	18.25	14.00	13.00	8.00	7.75
Dividend Payout	%	**97.88**	92.97	87.87	90.83	96.03	87.37
Dividend Yield	%	**7.50**	9.19	10.61	11.94	15.01	15.20
Break-up Value	Rs. 10/Share	**46.23**	45.81	31.72	28.30	26.10	25.07

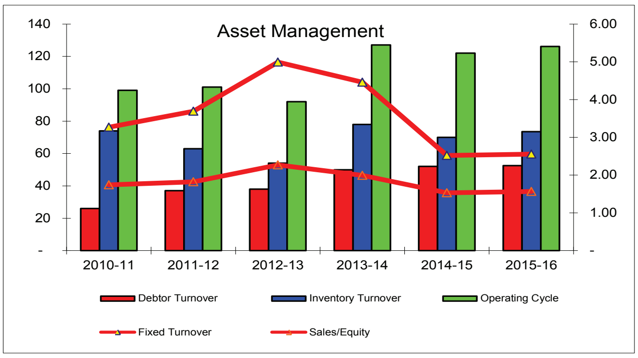
*Shareholder Equity is inclusive of Surplus on Revaluation of Fixed Assets (2016: Rs. 272.512m)

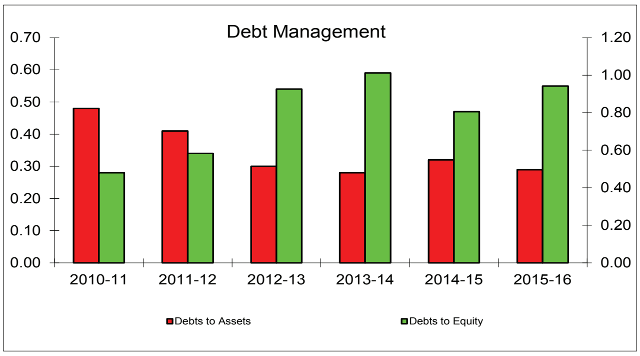
STAKEHOLDERS INFORMATION

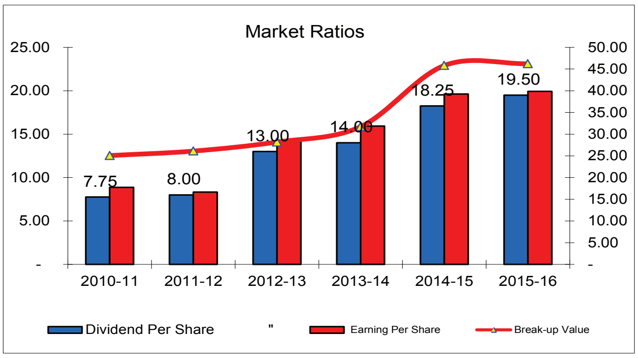


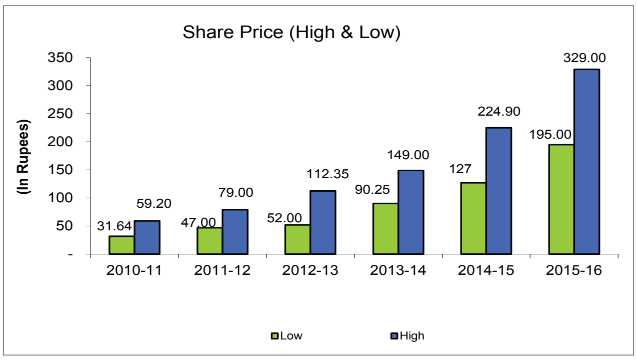


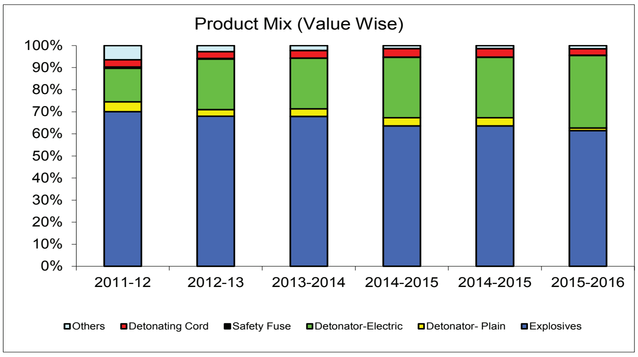












STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE TO THE MEMBERS FOR THE YEAR ENDED JUNE 30, 2016

Name of Company	Biafo Industries Limited.
Year Ended	30th June, 2016

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19.23 clause (b) of Listing Regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Khwaja Ahmad Hosain
	Muhammad Yaqoob
Executive Directors	M. Afzal Khan
	Khawaja Amanullah Askari
	Maj. Gen. (Ret'd.) S. Z. M. Askree
	Ms. Shirin Safdar
Non-Executive Directors	Abdul Maajid Qureshi
	M. Salim Khan
	M. Zafar Khan
	Dr. M. Humayun Khan
	Ms. Zishan Afzal Khan
	Adnan Aurangzeb

The independent directors meet the criteria of independence under the clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more then seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a Development Finance Institution (DFI), or a Non-Banking Finance Institution (NBFI), and none are a member of stock exchange.

4. No casual vacancy occurred on the Board of Directors during the year ended June 30, 2016.

5. The Company has prepared a 'Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), other executives and non executive directors, have been taken by the Board / shareholders.

8. The meetings of the Board were presided over by the Chairman and in his absence by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Six directors of the Company are exempted from directors Training Program on the basis of their level of education and length of experience as provided in the CCG. Further four of the directors of the Company have obtained certification under directors training program as required under clause (xi) of the CCG during prior years.

10. The Board of Directors have approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises six members, who are all non-executive directors and the Chairman of the committee is an independent director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of

the committee have been formed and advised to the committee for compliance.

17. The Board has formed a Human Resource and Remuneration Committee. It comprises of six members, of whom five are non-executive directors and the Chairman of the committee is a non-executive Director.

18. The Board has outsourced the internal audit function to Riasat Ishtiaq & Co who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period' prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to the directors, employees and the stock exchange.

22. Material / price sensitive information has been disseminated among all market participants at once through the stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with.

Islamabad
23 September, 2016

Chairman

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Biafo Industries Limited ("the Company") for the year ended 30 June 2016 to comply with the requirements of Code of Corporate Governance (CCG) contained in Regulation No. 5.19.23 clause (b) of Listing Regulations of Pakistan Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's Compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2016.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Atif Zamurrad Malik

Date: 23 September 2016
Islamabad

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Biafo Industries Limited ("the Company") as at 30 June 2016 and the related Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above statements in conformity with the approved accounting standards and the requirement of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the approved auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free from any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion –

  (i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in Note 3 to the financial statements with which we concur;

  (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Atif Zamurrad Malik

Date: 23 September 2016
Islamabad

BALANCE SHEET
AS AT 30 JUNE 2016

	Note	2016 Rupees	2015 Rupees
Property, plant and equipment	4	534,102,175	556,370,976
Investment property	5	32,643,304	-
Long term deposits		1,778,600	1,578,600
		568,524,079	557,949,576
CURRENT ASSETS			
Stores, spare parts and loose tools	6	6,530,512	7,253,430
Stock in trade	7	171,452,185	125,944,075
Trade debts	8	231,358,044	249,482,151
Advances	9	12,583,939	6,511,353
Trade deposits and short term prepayments	10	4,480,277	4,587,336
Tax refundable		5,136,306	-
Other receivables	11	292,938	280,630
Short term investments	12	439,428,293	386,907,672
Cash and bank balances	13	29,908,284	34,401,396
		901,170,778	815,368,043
CURRENT LIABILITIES			
Trade and other payables	14	216,926,760	234,019,493
Markup accrued		5,207,812	4,407,640
Short term borrowings	15	285,691,438	182,384,682
Provision for taxation		-	8,148,932
		507,826,010	428,960,747
NET CURRENT ASSETS		393,344,768	386,407,296
NON CURRENT LIABILITIES			
Deferred employee benefits	16	2,957,812	2,062,050
Deferred tax liability - net	17	34,364,406	26,183,239
		37,322,218	28,245,289
NET ASSETS		**924,546,629**	**916,111,583**
REPRESENTED BY:			
SHARE CAPITAL AND RESERVES			
Share capital	18	200,000,000	200,000,000
Unappropriated profit		452,034,872	441,194,267
		652,034,872	641,194,267
SURPLUS ON REVALUATION OF FIXED ASSETS - Net of tax	19	272,511,757	274,917,316
		924,546,629	**916,111,583**
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 39 form an integral part of these financial statements.

Islamabad
23 September, 2016

Chairman

Managing Director
&
Chief Executive Officer

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 Rupees	2015 Rupees
NET SALES / TURNOVER	21	1,447,883,189	1,401,982,100
Cost of sales	22	(772,383,456)	(780,523,845)
GROSS PROFIT		675,499,733	621,458,255
Other income	23	27,104,160	34,948,307
Distribution cost	24	(22,478,815)	(19,004,748)
Administrative expenses	25	(100,375,068)	(68,889,144)
Finance costs	26	(21,043,926)	(21,972,315)
OPERATING PROFIT		558,706,084	546,540,355
Workers' profit participation fund		(27,935,304)	(27,327,018)
Workers' welfare fund		(10,222,142)	(10,293,175)
PROFIT BEFORE TAXATION		**520,548,638**	**508,920,162**
TAXATION			
Current	27	(113,932,424)	(120,204,745)
Deferred	27	(8,181,168)	3,826,203
		(122,113,592)	(116,378,542)
PROFIT FOR THE YEAR		**398,435,046**	**392,541,620**
EARNINGS PER SHARE			
- Basic and diluted	28	**19.92**	**19.63**

The annexed notes 1 to 39 form an integral part of these financial statements.

Islamabad
23 September, 2016

Chairman

Managing Director
&
Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	2016 Rupees	2015 Rupees
Profit for the year	398,435,046	392,541,620
Comprehensive income transferred to equity	398,435,046	392,541,620
Other comprehensive income - not transferred to equity		
Items that will never be reclassified to profit or loss		
Surplus on revaluation in property, plant and equipment	-	213,352,221
Deferred tax liability on revaluation of property, plant and equipment	-	(661,745)
Total other comprehensive income - not transferred to equity	**-**	212,690,476
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**398,435,046**	**605,232,096**

The annexed notes 1 to 39 form an integral part of these financial statements.

Islamabad
23 September, 2016

Chairman

Managing Director
&
Chief Executive Officer

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 Rupees	2015 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		520,548,638	508,920,162
Adjustments for:			
Depreciation		19,678,109	15,999,559
Finance costs		19,709,683	21,002,785
Provision for Workers' profit participation fund		27,935,304	27,327,018
Provision for Workers' welfare fund		10,222,142	10,293,175
Provision for employee benefits		8,072,706	8,776,794
Reversal of provision for doubtful debts		(550,000)	(312,500)
Provision for slow moving items		457,892	-
Gain on re-measurement of investment		(206,677)	(4,545,200)
Dividend income		(22,590,252)	(28,004,899)
Gain on disposal of property, plant and equipment		(154,575)	(132,384)
Interest income on TDRs		(764,775)	(1,886,475)
Unrealized exchange gain		(1,089,499)	(1,524,998)
		60,720,058	46,992,875
		581,268,696	555,913,037
Changes in:			
Store, spare parts and loose tools		265,026	(1,070,848)
Stock in trade		(45,508,110)	35,320,944
Trade debts		18,674,107	(38,555,592)
Advances, deposits, prepayments and other receivables		(6,178,744)	(2,118,257)
Trade and other payables		(8,252,621)	63,906,645
		(41,000,342)	57,482,892
Cash generated from operations		**540,268,354**	**613,395,929**
Finance costs paid		(18,909,511)	(20,470,801)
Employees benefits paid		(13,093,964)	(7,689,783)
Payments to Workers' profit participation fund		(27,327,018)	(23,228,002)
Payments to Workers' welfare fund		(9,978,827)	(8,653,569)
Income taxes paid		(127,217,663)	(116,427,053)
		(196,526,983)	(176,469,208)
Net cash generated from operating activities		**343,741,371**	**436,926,721**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(31,420,154)	(75,749,593)
Proceeds from disposal of property, plant and equipment		1,522,117	593,220
Net investment during the period		(28,634,192)	(1,284,125)
Interest received on deposit accounts and TDRs		765,684	2,826,215
Net cash used in investing activities		**(57,766,545)**	**(73,614,283)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of dividend		(393,774,694)	(314,538,730)
Net cash used in financing activities		**(393,774,694)**	**(314,538,730)**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(107,799,868)	48,773,708
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		(147,983,286)	(196,756,994)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	29	**(255,783,154)**	**(147,983,286)**

The annexed notes 1 to 39 form an integral part of these financial statements.

Islamabad
23 September, 2016

Chairman

Managing Director
&
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Share capital	Unappropriated profit	Total equity
	Rupees	Rupees	Rupees
Balance at 01 July 2014	**200,000,000**	**371,182,991**	**571,182,991**
Total comprehensive income for the year			
Profit for the year	-	392,541,620	392,541,620
Comprehensive income for the year transferred to equity	**-**	**392,541,620**	**392,541,620**
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net of deferred tax	-	2,469,656	2,469,656
	200,000,000	**766,194,267**	**966,194,267**
Transactions with members recorded directly in equity			
Distribution to members			
Final dividend of 2014 @ Rs. 5.50 per share	-	(110,000,000)	(110,000,000)
First interim dividend of 2015 @ Rs. 3.00 per share	-	(60,000,000)	(60,000,000)
Second interim dividend of 2015 @ Rs. 3.25 per share	-	(65,000,000)	(65,000,000)
Third interim dividend of 2015 @ Rs. 4.50 per share	-	(90,000,000)	(90,000,000)
Total distribution to members	**-**	**(325,000,000)**	**(325,000,000)**
Balance at 30 June 2015	**200,000,000**	**441,194,267**	**641,194,267**
Balance at 01 July 2015	**200,000,000**	**441,194,267**	**641,194,267**
Total comprehensive income for the year			
Profit for the year	-	398,435,046	398,435,046
Comprehensive income for the year transferred to equity	**-**	**398,435,046**	**398,435,046**
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net of deferred tax	-	2,405,559	2,405,559
	200,000,000	**842,034,872**	**1,042,034,872**
Transactions with members recorded directly in equity			
Distribution to members			
Final dividend of 2015 @ Rs. 7.50 per share	-	(150,000,000)	(150,000,000)
First interim dividend of 2016 @ Rs. 2.50 per share	-	(50,000,000)	(50,000,000)
Second interim dividend of 2016 @ Rs. 4.00 per share	-	(80,000,000)	(80,000,000)
Third interim dividend of 2016 @ Rs. 5.50 per share	-	(110,000,000)	(110,000,000)
Total distribution to members	**-**	**(390,000,000)**	**(390,000,000)**
Balance at 30 June 2016	**200,000,000**	**452,034,872**	**652,034,872**

The annexed notes 1 to 39 form an integral part of these financial statements.

Islamabad
23 September, 2016

Chairman

Managing Director
&
Chief Executive Officer

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1 LEGAL STATUS AND OPERATIONS

Biafo Industries Limited ("the Company") was incorporated in Pakistan on 07 September 1988 as a public limited company under the Companies Ordinance, 1984 and its shares are quoted on the Pakistan Stock Exchange.

The Company started its commercial production on 01 July 1994 and is principally engaged in the manufacturing of commercial explosives and blasting accessories including detonators and other materials. The Company's license for manufacturing and sale of explosives is required to be renewed annually. The Company's production facility is situated at Hattar Industrial Estate, Khyber Pakhtunkhwa, with its registered office located at 1st Floor, Biafo House, Plot No. 23, St No. 38-40, I&T Centre, G-10/4, Islamabad - Pakistan.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, shall prevail.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for the following;

– certain items of property, plant and equipment are measured at revalued amounts; and
– investment at fair value through profit or loss is measured at fair value.

The methods used to measure fair values are discussed further in their respective policy notes.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupee (PKR), which is the Company's functional currency. All financial information presented in PKR has been rounded off to the nearest of PKR, unless otherwise stated.

2.4 Significant estimates

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

Property, plant and equipment

The Company reviews the useful lives and residual value of property, plant and equipment on each reporting date. Any change in estimates in future years might affect the carrying amounts of the respective items of assets with a corresponding affect on the depreciation charge and impairment.

In addition, the Company reviews the carrying value of its revalued property, plant and equipment with sufficient regularity to ensure the amounts recognized in the financial statements reflect the values which are not significantly different from the fair values at the reporting dates. The changes are recognized through revaluation surplus.

Provisions

Estimates of the amount of provisions recognized are based on current legal and constructive obligations. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

Impairment of financial and non financial assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. Any change in estimates in future years might affect the carrying amounts of the respective assets with a corresponding affect on the impairment.

Taxation

Estimates and judgments occur in the calculation of certain tax liabilities and in the determination of the recoverability of certain deferred tax assets, which arise from temporary differences and carry forwards. The Company takes into account the current income tax laws and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

The Company regularly reviews the trend of proportion of incomes between Presumptive Tax Regime and Normal Tax Regime and the change in proportions, if significant, is accounted for in the year of change.

Stores, spare parts and loose tools and stock in trade

The Company reviews the carrying value of stores, spare parts and loose tools and stock in trade for possible impairment on an annual basis. Any change in estimate in future years might affect the carrying amounts of the respective items of stores, spares and loose tools and stock in trade with a corresponding affect on the provision. Net realizable value is determined with reference to estimated selling price less estimated cost of completion and estimated expenditure to make the sales.

Investment at fair value through profit and loss account - held for trading

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date. Any change in the estimate in future years might affect the carrying amounts of the respective assets with the corresponding affect on profit and loss account.

Provision against trade debts, advances and other receivables

The Company regularly reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision.

2.5 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2016:

– Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

amendments are not likely to have an impact on Company's financial statements.

– Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not relevant to the Company's financial statements.

– Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not relevant to the Company's financial statements.

– Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not relevant to the Company's financial statements.

– Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not relevant to the Company's financial statements.

– Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on Company's financial statements.

– Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

– Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

– Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards Application of these amendments is not likely to have an impact on the Company's financial statements:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Except for the change as stated in note 3.21.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

3.1 Property, plant and equipment

Property, plant and equipment other than leasehold land, building on leasehold land, plant and machinary and capital work in progress, is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Leasehold land, building on leasehold land and plant and machinary is stated at revalued amount less accumulated depriciation. Capital work in progress is stated at cost less accumulated impairment losses, if any, and is transferred to the respective item of property, plant and equipment when available for intended use. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs.

Depreciation is recognized in profit or loss account on a reducing balance method except for electric appliances which are depreciated on straight line method at the rates specified in note 4 to the financial statements. Depreciation is charged from the date at which the asset becomes available for use to the date it is disposed off. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Surplus arising on revaluation is credited to the surplus on revaluation of fixed asset account. Deficit arising on subsequent revaluation of property, plant and equipment is adjusted against the balance in the above mentioned surplus account or charged to profit and loss account in the absence of any surplus therein. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets (net of deferred tax) is transferred to unappropriated profit.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within “other operating income” in profit or loss account.

3.2 Stock in trade

Stock in trade is measured at lower of cost and net realizable value. Cost is determined as follows:

Material in transit:	at material cost plus other charges paid thereon
Raw material:	at moving average cost
Work in process:	at material and related manufacturing cost
Finished goods:	at moving average cost and related manufacturing expenses

Cost comprises of purchase and other costs incurred in bringing the material to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and selling expenses necessarily to be incurred to make a sale.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

3.3 Stores, spare parts and loose tools

These are valued at lower of weighted average cost and net realizable value less impairment. Cost is determined on a weighted average basis and comprises costs of purchase and other costs incurred in bringing the items to their present location and condition. Provision is made for slow moving items where necessary and is recognized in the profit and loss account. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

3.4 Investments

All purchases and sale of investments are recognized using settlement date accounting. Settlement date is the date on which investments are delivered to or by the Company. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred and the Company has transferred substantially all the risks and rewards of ownership.

3.4.1 Investment at fair value through profit or loss

An investment is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, are recognized in profit or loss.

3.4.2 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

3.5 Taxation

Taxation for the year comprises current and deferred tax. Taxation is recognized in the profit and loss account except to the extent that it relates to items recognized outside profit and loss account (whether in other comprehensive income or directly in equity), if any, in which case the tax amounts are recognized directly in equity or in other comprehensive income.

3.5.1 Current tax

Provision for current taxation is based on taxable income for the year at the applicable tax rates after taking into account tax credit and tax rebates, if any and any adjustment to tax payable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

3.5.2 Deferred tax

Deferred tax is recognized using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial statements and the corresponding tax bases used in the computation of tax. In addition Company also records deferred tax asset on available tax losses. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further the Company also recognizes deferred tax liability on surplus on revaluation of depreciable fixed assets which is adjusted against the related surplus. The effect on deferred taxation of the portion of income expected to fall under presumptive tax regime is adjusted in accordance with the requirements of accounting technical release 27 of the Institute of Chartered Accountants of Pakistan.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

3.6 Investment Property

Investment property is the property held either to earn rental or for capital appreciation or for both, but not for sale in ordinary course of business. Investment property is initially measured at cost less accumulated depreciation and impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self constructed investment property includes the cost of materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing cost.

Depreciation is provided on a reducing balance method and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 4. Depreciation is charged from the month asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gains and losses on disposal of assets are included in profit and loss account.

Gains and losses on disposal of investment property are determined by comparing the proceeds from disposal with the carrying amount of investment property, and are recognized net within “other income” in profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

3.7 Employee benefits

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Company and measured on an undiscounted basis. The accounting policy for employee retirement benefits is described below;

3.7.1 Accumulating compensated absences

The Company makes provision for compensated un-availed absences accumulated by its employees and charge for the year is recognized in profit and loss account.

3.7.2 Provident fund

The Company has established a recognized provident fund for the eligible employees of the Company. Provision is made in the financial statements for the amount payable by the Company to the fund and in this regard contributions are made monthly at the rate of 10% of basic salary equally by the Company and the employee. Obligations for contributions to plan is recognized as an employee benefit expense in profit or loss account when they are due.

3.7.3 Gratuity - defined contribution plan

The Company operates a funded gratuity scheme for all its employees. Provision is made on an annual basis by way of a charge to the profit and loss account, in accordance with the rules of fund approved by Board of Trustees.

3.8 Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of government levies, trade discounts and commission. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Risk and rewards are transferred to the customer upon dispatch of goods as appropriate under the terms of agreements with customers.

3.9 Foreign currencies

PKR is the functional currency of the Company. Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into PKR at the rate of exchange ruling on the balance sheet date and exchange differences, if any, are charged to income for the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

3.10 Finance income and cost

Finance income comprises interest income on funds invested, exchange gain and changes in the fair value of financial asset at fair value through profit or loss. Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Foreign currency gains and losses are reported on a net basis.

Finance cost comprises interest expense on borrowings and bank charges. Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss account.

3.11 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables. Financial assets mainly comprise long and short term deposits, trade debts, advances, investments, other receivables and cash and bank balances.

The particular recognition and subsequent measurement methods adopted for significant financial assets are disclosed in the individual policy statements associated with them.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Significant financial liabilities are obligations under short term borrowings, creditors, accrued and other liabilities.

The particular recognition and subsequent measurement methods adopted for significant financial liabilities are disclosed in the individual policy statements associated with them.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

3.12 Offsetting

Financial assets and liabilities are set off in the balance sheet, only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.13 Trade and other receivables

Trade and other receivable are initially stated at fair value of consideration to be received. Subsequent to initial recognition these are carried at their amortized cost as reduced by appropriate provision for impairment, if any. Bad debts are written off when identified.

The allowance for doubtful accounts is based on the Company's assessment of the collectability of counterparty accounts. The Company regularly reviews its debts and receivables that remain outstanding past their applicable payment terms and establishes allowance and potential write-offs by considering factors such as historical experience, credit quality, age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay.

3.14 Trade and other payables

Liabilities for trade and other payables are initially carried at the fair value of the consideration to be paid in future for goods and services received. Subsequent to initial recognition, these are carried at amortized cost.

3.15 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and if required are adjusted to reflect the current best estimate.

3.16 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost.

3.17 Dividend

Dividend distribution to the Company's members is recognized as a liability in the period in which the dividends are approved.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

3.18 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and at bank and short term borrowings that form an integral part of the Company's cash management. Cash and cash equivalents are carried in the balance sheet at cost.

3.19 Impairment

3.19.1 Financial assets

A financial asset other than held for trading and carried at fair value is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

All impairment losses are recognized in profit or loss account. An impairment loss is reversed in the profit and loss account if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

3.19.2 Financial assets measured at amortized cost

The Company considers evidence of impairment for financial assets measured at amortized cost (loans and receivables) at both, specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

reflected in an allowance account against loans and receivables or held-to-maturity investment securities. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.19.3 Non financial assets

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the absence of any information about the fair value of a cash-generating unit, the recoverable amount is deemed to be the value in use. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses in respect of cash-generating units are allocated to the carrying amounts of assets in the cash-generating unit group on pro-rata basis. An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.20 Earnings per share

The Company presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

3.21 Fair Value Measurement

IFRS 13 'Fair Value Measurment' became effective from financial periods beginning on or after 1 January 2015. IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurments when such measurments are required or permitted by other IFRSs. It identifies the definition of fair value as a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurment date. It replaces and expands the disclosure requirements about fair value measurments in other IFRSs, including IFRS 7. The application of IFRS 13 doesnot have any impact on the financial statements of the Company except for certain additional disclosures.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

4 PROPERTY, PLANT AND EQUIPMENT

		Owned										
	Leasehold land	Building on leasehold land	Plant and machinery	Fork lifter	Tools and equipment	Tube well	Office equipment	Furniture and fixtures	Electrical appliances	Vehicles	Capital work in progress (Note 4.4)	Total
	Rupees											
Cost / Revalued amount												
Balance as at 01 July 2014	81,433,100	35,564,709	170,202,015	3,154,690	1,025,926	2,606,600	3,397,677	1,671,459	4,259,657	22,353,377	30,952,072	356,621,282
Additions	-	-	6,720,250	-	-	-	906,702	3,829,670	3,364,336	4,050,260	56,878,375	75,749,593
Disposals	-	-	-	-	-	-	-	-	-	(1,285,143)	-	(1,285,143)
Transfer in / (out)	-	1,698,450	867,109	-	-	-	-	-	-	-	(2,565,559)	-
Effect of revaluation	210,726,250	(3,539,409)	(64,789,373)	-	-	-	-	-	-	-	-	142,397,468
Balance as at 30 June 2015	**292,159,350**	**33,723,750**	**113,000,001**	**3,154,690**	**1,025,926**	**2,606,600**	**4,304,379**	**5,501,129**	**7,623,993**	**25,118,494**	**85,264,888**	**573,483,200**
Balance as at 01 July 2015	292,159,350	33,723,750	113,000,001	3,154,690	1,025,926	2,606,600	4,304,379	5,501,129	7,623,993	25,118,494	85,264,888	573,483,200
Additions	-	2,525,696	2,947,120	-	-	-	1,633,879	2,580,695	1,668,710	4,845,448	15,218,606	31,420,154
Disposals	-	-	(226,568)	-	-	-	(75,000)	(142,472)	(294,276)	(1,843,642)	-	(2,581,958)
Transfer to investment property	-	(32,848,608)	-	-	-	-	-	-	-	-	-	(32,848,608)
Transfer in/(out)	-	88,440,600	1,584,215	-	-	-	2,227,051	-	5,400,000	-	(97,651,866)	-
Effect of revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2016	**292,159,350**	**91,841,438**	**117,304,768**	**3,154,690**	**1,025,926**	**2,606,600**	**8,090,309**	**7,939,352**	**14,398,427**	**28,120,300**	**2,831,628**	**569,472,788**
Depreciation												
Balance as at 01 July 2014	-	3,147,122	55,171,101	884,670	887,294	929,114	2,602,223	1,362,155	3,295,698	4,612,348	-	72,891,725
Charge for the year	-	815,791	11,820,739	227,002	13,863	167,749	232,132	74,069	755,190	1,893,024	-	15,999,559
On disposals	-	-	-	-	-	-	-	-	-	(824,307)	-	(824,307)
Effect of revaluation	-	(3,962,913)	(66,991,840)	-	-	-	-	-	-	-	-	(70,954,753)
Balance as at 30 June 2015	-	-	-	**1,111,672**	**901,157**	**1,096,863**	**2,834,355**	**1,436,224**	**4,050,888**	**5,681,065**	-	**17,112,224**
Balance as at 01 July 2015	-	-	-	1,111,672	901,157	1,096,863	2,834,355	1,436,224	4,050,888	5,681,065	-	17,112,224
Charge for the year	-	2,514,780	11,425,924	204,302	12,477	150,974	603,247	553,025	1,990,969	2,017,107	-	19,472,805
On disposals	-	-	(15,177)	-	-	-	(32,764)	(140,263)	(265,486)	(760,726)	-	(1,214,416)
Effect of revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2016	-	**2,514,780**	**11,410,747**	**1,315,974**	**913,634**	**1,247,837**	**3,404,838**	**1,848,986**	**5,776,371**	**6,937,446**	-	**35,370,613**
Carrying amounts - June 2015	292,159,350	33,723,750	113,000,001	2,043,018	124,769	1,509,737	1,470,024	4,064,905	3,573,105	19,437,429	85,264,888	556,370,976
Carrying amounts - June 2016	**292,159,350**	**89,326,658**	**105,894,021**	**1,838,716**	**112,292**	**1,358,763**	**4,685,471**	**6,090,366**	**8,622,056**	**21,182,854**	**2,831,628**	**534,102,175**
Rates of depreciation per annum	-	**2.50%**	**10%**	**10%**	**10%**	**10%**	**10-33.33%**	**10%**	**33.33%**	**10%**	-	

NOTES TO THE FINANCIAL STATEMENTS
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	Note	2016 Rupees	2015 Rupees
4.1 Depreciation for the year has been allocated as follows:			
Cost of sales	22	13,341,954	13,710,722
Distribution cost	24	377,144	218,868
Administrative expenses	25	5,753,707	2,069,969
		19,472,805	**15,999,559**

4.2 Revaluation of land, building, plant and machinery

Leasehold land, building on leasehold land and plant and machinery of the Company were revalued on 30 June 1996, 30 June 2005, 30 June 2010 and 30 June 2015. Latest valuation for 2015 was carried out by an independent valuer M/S Asrem Private Limited. Land and building were revalued on the market basis and plant and machinery under the depreciated replacement cost basis. This revaluation resulted in net surplus of Rs. 213.352 million. Balance of revaluation surplus net of incremental depreciation included in the book value of these assets as stated in note 19 amounted to Rs. 280.7 million (2015: Rs. 283.9 million) at the year end. The fair value when determined falls under level 3 hierarchy. Sensitivity analysis has not been presented since data about observable input is not available.

Had there been no revaluations, related figures of revalued leasehold land, building and plant and machinery would have been as follows:

	Net Book Value	
	2016 Rupees	2015 Rupees
Leasehold land	44,033,883	44,033,883
Building on leasehold land	117,156,307	28,780,277
Plant and machinery	78,105,684	82,125,495
	239,295,874	**154,939,655**

4.3 Detail of disposal of property, plant and equipment:

	Cost	Book Value	Sale Proceeds	Gain (Loss)	Mode of disposal	Sold to
	Rupees					
Vehicle [SS-483]	1,843,642	1,082,441	1,167,592	85,151	Quotation	Sayed Arsalan Rasool
Office Equipment	75,000	42,224	29,989	(12,235)	Quotation	Panazone
Electric Appliances	294,276	28,782	47,433	18,651	Exchange	M Gulistan Khan House
Plant & Machinery (AN Crusher)	226,568	211,298	273,015	61,717	Quotation	Sardar Zaheer Ahmed Khan
Furniture and fixture	142,472	2,797	4,088	1,291	Quotation	Ahmad Raza
2016	**2,581,958**	**1,367,542**	**1,522,117**	**154,575**		
2015	1,285,143	460,836	593,220	132,384		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

		2016 Rupees	2015 Rupees
4.4	**Components of capital work in progress**		
	Plant and machinery	2,797,878	965,401
	Construction work on head office building	-	84,299,487
	Others	33,750	-
		2,831,628	**85,264,888**
5	**INVESTMENT PROPERTY**		
	Opening balance	-	-
	Transfer from property, plant and equipment	32,848,608	-
	Accumulated depreciation	(205,304)	-
	Closing balance	**32,643,304**	**-**

Latest valuation of investment property has been carried out as on 29 August 2016, accordingly, fair value of investment property is Rs. 32,406,396.

The fair value of investment property was determined by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The fair value falls in level 3 hierarchy, is measured for disclosure purpose only. Sensitivity analysis has not been presented since data about observable input is not available.

		2016 Rupees	2015 Rupees
6	**STORES, SPARE PARTS AND LOOSE TOOLS**		
	Stores	2,165,612	1,671,442
	Spare parts	9,055,206	9,814,402
	Loose tools	16,107	16,107
		11,236,925	11,501,951
	Provision for slow moving stores, spare parts and loose tools	(4,706,413)	(4,248,521)
		6,530,512	**7,253,430**
7	**STOCK IN TRADE**		
	Raw materials	98,053,460	92,555,775
	Packing materials	5,276,212	3,660,292
	Work in process	5,820,932	2,619,916
	Finished goods	38,469,060	19,108,367
	Goods in transit	23,832,521	7,999,725
		171,452,185	**125,944,075**
8	**TRADE DEBTS - UNSECURED**		
	Unsecured - Considered good	231,358,044	249,482,151
	Unsecured - Considered doubtful	612,270	1,162,270
		231,970,314	250,644,421
	Provision for doubtful debts	(612,270)	(1,162,270)
		231,358,044	**249,482,151**
9	**ADVANCES - UNSECURED**		
	Advances to suppliers - Considered good	11,633,279	5,628,617
	Advances to employees - Interest free, considered good	950,660	882,736
		12,583,939	**6,511,353**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 Rupees	2015 Rupees
10 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits - Interest free		2,666,576	3,074,622
Prepayments		1,813,701	1,512,714
		4,480,277	**4,587,336**
11 OTHER RECEIVABLES			
Considered good:			
Interest income receivable		56,326	57,235
Others		236,612	223,395
		292,938	**280,630**

12 SHORT TERM INVESTMENT

Investments:	Number of units 2016	Number of units 2015	Note	2016 Rupees	2015 Rupees
Held for trading					
ABL Income Fund	14,729,429	13,947,974	12.1	147,724,390	139,840,993
MCB Dynamic Cash Fund	-	470,062	12.1	-	49,638,576
Faysal Money Market Fund	1,233,672	1,183,594	12.1	124,748,901	119,590,342
UBL Liquidity Plus Fund	1,088,839	269,586	12.1	109,480,002	27,087,761
				381,953,293	336,157,672
Loans and receivables - Term deposit receipts			12.2	57,475,000	50,750,000
				439,428,293	**386,907,672**

12.1 These investments are stated at fair value at the year end, using the year end redemption price. Gain on remeasurement is included in other operating income. As stated in note 15, 13,947,974 units in ABL Income Fund, 1,084,062 units in Faysal Money Market Fund and 776,281 units in UBL Liquidity Plus Fund (2015: 11,606,700 units in ABL Income Fund, 460,8201 units in MCB Dynamic Cash Fund, 1,040,057 units in Faysal Money Market Fund and 241,841 units in UBL Liquidity Plus Fund) are pledged as security against running finance facilities arranged with Allied Bank Limited, Faysal Bank Limited and United Bank Limited respectively.

12.2 This represents foreign currency term deposit receipts (TDRs) amounting to USD 550,000 (2015: USD 500,000). This carries interest rate at 1.26% (2015:1.45%) per annum. As stated in note 15, TDRs of USD 550,000 are given as security against running finance facility arranged with Allied Bank Limited.

	Note	2016 Rupees	2015 Rupees
13 CASH AND BANK BALANCES			
Cash at bank - conventional banking			
Current accounts	13.1	29,867,582	32,939,059
Deposit accounts	13.2	17,445	1,454,010
		29,885,027	34,393,069
Cash in hand		23,257	8,327
		29,908,284	**34,401,396**

13.1 Current accounts include foreign currency balances amounting to Rs.7,525,522 (US$ 72,015), (2015:Rs.4,643,818) (US$ 45,752).

13.2 These carry interest at the rate of 3.75% (2015: 7%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 Rupees	2015 Rupees
14 TRADE AND OTHER PAYABLES			
Trade creditors		119,000,821	121,637,276
Advances from customers		4,603,008	4,876,919
Payable to contractors	14.1	1,899,060	5,813,601
Accrued liabilities		22,567,459	20,065,646
Sales tax payable - net		4,077,957	10,815,310
Insurance		422,333	605,337
Workers' profit participation fund payable		27,935,304	27,327,018
Workers' welfare fund payable		11,174,122	10,930,807
Unclaimed dividend		21,022,630	24,797,324
Payable to staff gratuity fund - unsecured	14.2	-	5,343,775
Compensated absences - current portion		-	5,315
Payable to employees' provident fund - unsecured		-	567,930
Others		4,224,066	1,233,235
		216,926,760	**234,019,493**

14.1 This represents amount payable to contractors against construction of head office building.

14.2 Payable to staff gratuity fund - unsecured

	2016 Rupees	2015 Rupees
Balance at the beginning of the year	5,343,775	4,591,325
Provision made during the year	7,175,315	5,343,775
Contribution made to the fund during the year	(12,519,090)	(4,591,325)
Balance at the end of the year	-	**5,343,775**

	Note	2016 Rupees	2015 Rupees
15 SHORT TERM BORROWINGS - Secured			
From banking companies-under mark-up arrangement			
Allied Bank Limited			
FE-25/Export Refinance	15.1	-	14,837,601
Running Finance	15.2	90,966,464	22,949,349
Faysal Bank Limited			
Running Finance	15.3	97,568,692	93,399,706
MCB Bank Limited			
Running Finance	15.4	-	28,793,584
United Bank Limited			
Running Finance	15.5	97,156,282	22,404,442
		285,691,438	**182,384,682**

15.1 This represents utilized amount of FE-25 with a sanctioned limit of Rs. 85 million including Rs. 35 million sublimit of running finance facility - RF I (note 15.2) (2015: Rs. 85 million). The facility carries mark-up at the rate of SBP rate + 1% (2015: SBP rate + 1%) per annum of the utilized amount.

15.2 This represents utilized amount of running finance facilities with cumulative sanctioned limit of Rs. 216 million (2015: Rs 290.9 million). These facilities include running finance facility - RF I with sanctioned limit of Rs. 35 million carrying mark-up at the rate of 3 months KIBOR + 1.25% of the utilized amount, running finance facility - RF II with a maximum sanctioned limit of Rs. 133.50

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million carrying markup at the rate of 3 months KIBOR + 1% per annum of the utilized amount and secured against investment in units of ABL Income Fund having market value of Rs 140.962 million (refer note 12) with 5% margin, and running finance facility - RF III with maximum sanctioned limit of Rs. 47.5 million (2015: Rs 47.5 million) carrying markup at the rate of 3 months KIBOR + 1% per annum of the utilized amount and secured against the investment made in the ABL Term Deposit Receipts of USD 550,000 with 5% margin (refer note 12).

RF I has sub limit of Letter of credit - sight (foreign), Letter of credit - usance (foreign), Export Refinance and FCEF. Further the Company has facilities aggregating to Rs. 50 million (2015: Rs. 50 million) offered for issuance of letter of credits (LCs) and letter of guarantees (LGs) secured against cash and cash equivalents with a margin of 10%.

15.3 This represents utilized amount of running finance facility with a sanctioned limit of Rs. 150 million (2015: Rs. 100 million) and carries mark up at the rate of 3 months KIBOR + 1% per annum payable on quarterly basis. The facility is secured against investment in units of Faysal Money Market Fund with a 5% margin. Refer note 12.

15.4 This running finance facility has been closed during the year (2015: Rs. 37.74 million carrying markup at the rate of 3 months KIBOR + 1% per annum payable on quarterly basis). Refer note 12

15.5 This represents utilized amount of running finance facility of Rs. 150 million (2015: 100 million) for financing working capital requirements of the Company. The facility carries markup at the rate of 1 month KIBOR + 0.75% per annum. The facility is secured against investment in units of UBL Liquidity Plus Fund with 5% margin. Refer note 12.

15.6 The facilities mentioned in note 15.1 and 15.2 are secured by way of first charge amounting to Rs. 180 million on all present and future current assets (excluding financial assets) and fixed assets (excluding head office building) of the Company including equitable mortgage over industrial property of the Company, lien on valid import documents of the Company and corporate guarantee of the Company in addition to security mentioned in note 15.2.

	2016 Rupees	2015 Rupees
16 DEFERRED EMPLOYEE BENEFIT		
Accumulating compensated absences		
Obligation at beginning of the year	2,062,050	1,823,278
Charge for the year	897,391	238,772
	2,959,441	2,062,050
Benefits paid during the year	(1,629)	-
Obligation at end of the year	**2,957,812**	**2,062,050**

Actuarial valuation of accumulating compensated absences has not been carried out as the impact of such valuation is deemed immaterial.

	2016 Rupees	2015 Rupees
17 DEFERRED TAX LIABILITY- Net		
The net balance of deferred tax is in respect of the following major temporary differences:		
Accelerated depreciation on property, plant and equipment	28,234,381	20,388,235
Retirement benefits	(745,369)	(1,867,607)
Provision for doubtful debts, advances and receivables	(154,292)	(292,892)
Provision for slow moving stores, spare parts and loose tools	(1,186,016)	(1,070,627)
Surplus on revaluation of property, plant and equipment	8,215,702	9,026,130
	34,364,406	**26,183,239**

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17.1 Based on the Company's estimate of future export sales, adjustment of Rs. 21.819 million (2015: Rs. 16.624 million) has been made in the taxable temporary differences at the year end. This has resulted in increased after tax profit by Rs. 6.546 million (2015: Rs. 3.268 million) with corresponding decrease in deferred tax liability by the same amount.

18 SHARE CAPITAL

18.1 Authorized share capital

This represents 25,000,000 (2015: 25,000,000) Ordinary shares of Rs. 10 each.

18.2 Issued, subscribed and fully paid up capital

2016 Numbers	2015 Numbers		2016 Rupees	2015 Rupees
14,000,000	14,000,000	Ordinary shares of Rs. 10 each issued for cash	140,000,000	140,000,000
6,000,000	6,000,000	Ordinary shares of Rs. 10 each issued in lieu of restructuring arrangement with the lender	60,000,000	60,000,000
20,000,000	**20,000,000**		**200,000,000**	**200,000,000**

18.2.1 These include 5,894,000 (2015: 5,884,000) ordinary shares of Rs 10 each held by the Directors of the Company and 6,544,100 (2015: 6,544,100) ordinary shares held by an associated company.

	2016 Rupees	2015 Rupees
19 SURPLUS ON REVALUATION OF FIXED ASSETS - Net of tax		
Surplus on revaluation at 01 July	283,943,446	73,892,904
Surplus on revaluation during the year	-	213,352,221
Transferred to equity in respect of incremental depreciation- net of deferred tax	(2,405,559)	(2,469,656)
Related deferred tax liability of incremental depreciation	(810,428)	(832,023)
	(3,215,987)	210,050,542
	280,727,459	283,943,446
Related deferred tax liability on:		
Surplus on revaluation as at 01 July	(9,026,130)	(10,729,144)
Incremental depreciation charged on revalued assets	810,428	832,023
Adjustment including effect of change in tax rate and revaluation during the year	-	870,991
	(8,215,702)	(9,026,130)
	272,511,757	**274,917,316**

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

20.1.1 Industrial Estate Hattar of Sarhad Development Authority, Khyber Pakhtunkhwa has raised an additional demand of Rs. 6,203,400 against the Company relating to additional payment to be made to original owners of the land for which lease was signed and full payment was made in 1991. The Company has not acknowledged the claim and has filed an appeal against the demand before the Civil Judge, Haripur. The court has stayed the demand and currently the case is with the Chairman Sarhad Development Authority, Khyber Pakhtunkhwa for arbitration. Pending the outcome of the appeal, no provision has been made in these financial statements for such demand as the management is confident that the appeal will be decided in the Company's favor.

20.1.2 For contingencies relating to tax matters refer note 27 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

20.2 Commitments

20.2.1 Letters of credit issued by banks on behalf of the Company for import of raw materials, outstanding at the year end amounted to Rs. 42,168,467 (2015: Rs. 5,036,938).

20.2.2 Letter of Guarentee issued by Allied Bank Limited on behalf of the Company for the issuance of performance bond to secure the contracts with different government and private entities at the year end amounting to Rs. 1,200,950 (2015:Rs. 1,200,950).

	Note	2016 Rupees	2015 Rupees
21 NET SALES / TURNOVER			
Turnover		1,521,161,601	1,469,165,673
Sales tax		(221,473,619)	(214,079,960)
Commissions		(8,189,670)	(5,980,942)
Net Local Sales		1,291,498,312	1,249,104,771
Net Export Sales	21.1	156,384,877	152,877,329
		1,447,883,189	**1,401,982,100**

21.1 Export sales represent sales made to Saindak and Dudder (2015: Saindak and Dudder) projects in Baluchistan, Pakistan which has been declared as Export Processing Zone by the Government of Pakistan (GoP).

	Note	2016 Rupees	2015 Rupees
22 COST OF SALES			
Materials consumed	22.1	637,706,398	609,514,806
Stores, spare parts and loose tools consumed		5,297,024	6,669,395
Packing materials consumed		17,271,749	17,587,356
Fuel and power		5,862,196	10,580,276
Salaries, wages and other benefits	22.2	76,179,064	67,736,499
Insurance		4,447,171	4,465,164
Repairs and maintenance		4,980,297	2,274,745
Depreciation	4.1	13,341,954	13,710,722
Vehicle running and maintenance		839,616	1,101,118
Travelling and conveyance		857,974	417,314
Water charges		60,900	60,900
Telephone, telex and postage		213,416	203,137
Legal and professional charges		42,000	72,000
Printing and stationery		241,279	346,969
Canteen		867,095	915,639
Transportation		16,797,174	26,330,938
Fees and subscription		1,120,190	912,560
Vehicle rent		1,793,880	1,808,880
Security charges		3,779,632	3,229,539
Saindak expenses		1,918,760	1,984,707
Miscellaneous expenses		869,504	861,530
Provision for slow moving stores, spare parts and loose tools		457,892	-
		794,945,165	770,784,194

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	2016 Rupees	2015 Rupees
Work in process:		
Opening	2,619,916	1,484,740
Closing	(5,820,932)	(2,619,916)
	(3,201,016)	(1,135,176)
Cost of goods manufactured	791,744,149	769,649,018
Finished goods:		
Opening	19,108,367	29,983,194
Closing	(38,469,060)	(19,108,367)
	(19,360,693)	10,874,827
	772,383,456	**780,523,845**

22.1 Materials consumed

	2016 Rupees	2015 Rupees
Opening stock as at 01 July	92,555,775	109,114,018
Purchases during the year	643,204,083	592,956,563
	735,759,858	702,070,581
Closing stock as at 30 June	(98,053,460)	(92,555,775)
	637,706,398	**609,514,806**

22.2 This includes Rs. 6,690,868 (2015: Rs. 5,297,602) charged on account of gratuity, provident fund and employees compensated absences.

23 OTHER INCOME

	Note	2016 Rupees	2015 Rupees
From financial assets			
Dividend income		22,590,252	28,004,899
Gain on remeasurement of investment at fair value through profit or loss - conventional		206,677	4,545,200
Interest on investment in TDRs		764,775	1,776,169
Exchange gain - net (non-derivative financial instruments)		1,492,486	66,849
Rental income		1,320,000	-
Bad debts recovered		550,000	312,500
Interest on deposit accounts		25,395	110,306
		26,949,585	34,815,923
From non-financial assets			
Gain on disposal of property, plant and equipment		154,575	132,384
		154,575	132,384
		27,104,160	**34,948,307**

24 DISTRIBUTION COST

	Note	2016 Rupees	2015 Rupees
Salaries, wages and other benefits	24.1	17,335,494	15,529,242
Staff traveling and conveyance		2,496,814	2,265,580
Telephone and postage		138,224	128,038
Entertainment		1,099,180	135,115
Printing and stationary		182,568	136,074
Vehicle running and maintenance		654,359	390,058
Insurance		110,602	120,570
Other charges		84,430	81,203
Depreciation	4.1	377,144	218,868
		22,478,815	**19,004,748**

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24.1 This include Rs. 1,868,068 (2015: Rs. 1,350,256) charged on account of gratuity, provident fund and employees compensated absences.

		Note	2016 Rupees	2015 Rupees
25	**ADMINISTRATIVE EXPENSES**			
	Chief Executive and Directors' remuneration	25.1	42,850,000	38,800,000
	Salaries, wages and other benefits	25.1	18,779,528	10,013,729
	Directors' traveling and conveyance		14,558,232	5,879,250
	Staff traveling		3,301,192	30,780
	Electricity, gas and water		1,113,145	459,773
	Telephone, telex and postage		889,071	891,867
	Rent, rates and taxes		377,788	2,381,280
	Legal and professional charges		2,644,183	1,597,020
	Donation	25.2	2,100,000	1,000,000
	Auditors' remuneration	25.3	735,000	700,000
	Printing and stationery		640,155	496,106
	Entertainment		327,493	332,093
	Insurance		357,401	283,099
	Advertisements		315,248	273,426
	Vehicle running and maintenance		2,333,104	2,731,526
	Repair and maintenance		1,781,889	593,539
	Security charges - Head office		860,884	-
	General expenses		451,744	355,687
	Depreciation on investment property		205,304	-
	Depreciation	4.1	5,753,707	2,069,969
			100,375,068	**68,889,144**

25.1 This includes Rs. 3,606,979 (2015: Rs.3,428,936) charged on account of gratuity, provident fund and employees compensated absences.

25.2 Donations were given to Pakistan Red Cresent Society for their humanitarian services, Shaukat Khanum Memorial Trust for costruction of cancer hospital in Peshawar, Frontier Association for Mentaly Handicapped for its work for mentaly handicaped persons and The Diabets Centre to build a hospital to provide state of the art health facilities for diabetes. Donation did not include any amount paid to any person or organization in which a director or his/her spouse had any interest.

		2016 Rupees	2015 Rupees
25.3	**Auditors' Remuneration**		
	Annual audit fee	525,000	500,000
	Half yearly review	125,000	120,000
	Other certifications	85,000	80,000
		735,000	**700,000**
26	**FINANCE COSTS**		
	Mark up on short term borrowings - secured	19,709,683	21,002,785
	Bank charges	1,334,243	969,530
		21,043,926	**21,972,315**

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	2016 Rupees	2015 Rupees
27 TAXATION		
Current -		
Prior years	(18,282,003)	(18,236,894)
For the year	132,214,427	138,441,639
	113,932,424	120,204,745
Deferred	8,181,168	(3,826,203)
	122,113,592	**116,378,542**

27.1 Reconciliation of tax expense with tax on accounting profit:

	2016 Rupees	2015 Rupees
Profit before taxation	520,548,638	508,920,162
Tax rate	32%	33%
Tax on accounting profit	166,575,564	167,943,653
Tax effect of income charged at lower tax rate	(23,473,004)	(21,082,379)
Tax effect of prior years	(18,282,003)	(18,236,894)
Tax effect of exempt income and permanent differences	(66,137)	(10,332,001)
Tax credit for selling more than 90% to sales tax registered persons	(3,230,830)	(2,878,756)
Others	590,002	964,919
	122,113,592	**116,378,542**

27.2 The returns for and up to Tax Year 2015 have been filed by the Company. The taxation authorities are empowered to question or amend an assessment within 05 years of the end of the financial year in which the return was filed.

	2016	2015
28 EARNINGS PER SHARE - Basic and diluted		
Profit for the year (Rupees)	398,435,046	392,541,620
Average number of shares outstanding during the year (Number)	20,000,000	20,000,000
Earnings per share (Rupees)	19.92	19.63

There is no dilutive effect on the basic earnings per share of the Company.

	Note	2016 Rupees	2015 Rupees
29 CASH AND CASH EQUIVALENTS			
Cash and bank balances	13	29,908,284	34,401,396
Short term borrowings	15	(285,691,438)	(182,384,682)
		(255,783,154)	**(147,983,286)**

NOTES TO THE FINANCIAL STATEMENTS
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30 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2016				2015			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Managerial remuneration	18,600,000	16,800,000	47,361,000	82,761,000	15,600,000	14,400,000	23,799,000	53,799,000
Employee benefits	1,550,000	-	7,115,402	8,665,402	1,300,000	-	2,919,589	4,219,589
Bonus	3,100,000	2,800,000	7,893,500	13,793,500	3,900,000	3,600,000	4,379,000	11,879,000
Total	**23,250,000**	**19,600,000**	**62,369,902**	**105,219,902**	**20,800,000**	**18,000,000**	**31,097,589**	**69,897,589**
Number of persons	1	3	49		1	3	19	

The aggregate amount charged in these financial statements in respect of meeting fee paid to other than Chief Executive and three Directors (2015: Three) was Rs. 7,576,000 (2015: Rs. 4,067,781).

Chief Executive, Directors and Chief Operation Officer are provided with the Company's maintained cars.

31 RELATED PARTY TRANSACTIONS

Related parties comprise of associated undertakings, directors, key management personnel, entities over which the directors are able to exercise influence, employees' provident fund and gratuity fund. Transactions with related parties and balances outstanding at the year end are as follows:

	Note	2016 Rupees	2015 Rupees
Associated undertakings			
Orient Trading Limited			
Payment of dividend		127,609,950	106,341,625
Share capital		65,441,000	65,441,000
Dividend to non executive directors		105,066,000	96,062,500
Other related parties			
Remuneration including benefits and perquisites of key management personnel	29	105,219,902	69,897,589
Dividend to key management personnel (executive directors)		9,867,000	8,222,500
Contribution towards employees' provident fund		4,108,275	3,194,247
Payable to employees' provident fund		-	567,930
Contribution towards employees' gratuity fund		7,175,315	5,343,775
Payable to staff retirement gratuity fund		-	5,343,775
Services received from related party		200,000	-

32 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

NOTES TO THE FINANCIAL STATEMENTS
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The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Auditor. Internal Auditor undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

32.1 Credit risk

Credit risk refers to the risk that the counterparty will fail to perform or fail to pay amounts due, resulting in financial loss to the Company. The primary activities of the Company are manufacturing and sale of commercial explosives. The Company is exposed to credit risk from its operation and certain investing activities.

The Company's credit risk exposures are categorised under the following headings:

Counterparties

In relation to the Company's exposure to credit risk, trade debtors and financial institutions are major counterparties and the Company's policies to manage risk in relation to these counter parties are explained in the following paragraphs.

Trade debts

Credit risk with respect to trade debts is diversified due to the number of entities comprising the Company's customer base. Trade debts are essentially due from the entities engaged in cement manufacturing, construction, mining and oil and gas exploration service providers. The Company has a credit policy that governs the management of credit risk, including the establishment of counterparty credit repayment timeline and specific transaction approvals. The Company limits credit risk by assessing creditworthiness of potential counterparties before entering into transactions with them and continuing to evaluate their creditworthiness after transactions have been initiated. Further the Company for all major customers enters into a written agreement, and amongst the provisions agreed are product rates and repayment terms. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Collectability is assessed based on the creditworthiness of the customer as determined by credit checks and the customer's payment history to the Company. The Company establishes a provision for doubtful debts in respect of trade debts and historically such losses have been within management's expectations.

Bank balances and investments

The Company maintains its bank balances and makes investments in money market funds with financial institutions of high credit ratings. The investment made in ABL Income Fund, MCB Dynamic Cash Fund, Faysal Money Market Fund and UBL Liquidity Plus Fund is exposed to minimal credit risk as these are open-ended collective schemes, while deposits held with banks can either be redeemed upon demand or have a short term maturity of six months and therefore also bear minimal risk.

Exposure to credit risk

The carrying amount of financial assets of the Company represents the maximum credit exposure. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics and the maximum financial exposure due to credit risk on the Company's financial assets as at 30 June was;

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	2016 Rupees	2015 Rupees
Trade debts- net	231,358,044	249,482,151
Advances	950,660	882,736
Trade deposits	2,666,576	3,074,622
Other receivables	292,938	280,630
Short term investments	439,428,293	386,907,672
Long term deposits	1,778,600	1,578,600
Bank balances	29,885,027	34,393,069
	706,360,138	**676,599,480**

The maximum exposure to credit risk for trade debts at the reporting date by type of customer was:

	2016 Rupees	2015 Rupees
Cement manufacturers	19,359,610	15,810,102
Oil and gas exploration service providers	170,940,664	116,078,770
Construction and mining entities	41,057,770	117,593,279
	231,358,044	**249,482,151**

Impairment losses

The aging of trade debts at the reporting date was:

	2016		2015	
	Gross debts Rupees	Impairment Rupees	Gross debts Rupees	Impairment Rupees
Not past due	33,399,682	-	81,539,245	-
Past due 0-30 days	87,091,784	-	82,425,149	-
Past due 31-60 days	73,741,644	-	52,080,087	-
Past due 61-90 days	15,595,283	-	14,277,094	-
Past due 91-365 days	21,529,651	-	19,160,576	-
Over 365 days	612,270	612,270	1,162,270	1,162,270
	231,970,314	**612,270**	**250,644,421**	**1,162,270**

The movement in impairment in respect of trade receivables during the year was as follows:

	2016 Rupees	2015 Rupees
Balance at the beginning of the year	1,162,270	1,474,770
Doubtful debts recovered	(550,000)	(312,500)
Balance at the end of the year	**612,270**	**1,162,270**

The management constantly evaluates the creditworthiness of the customers and considers the historical payment record of customers. In relation to the trade debts that are past due, the management believes that counterparties will discharge their obligations and accordingly no additional allowance for impairment is required.

The allowance account in respect of other receivables is used to record impairment losses, when no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off by the Company.

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32.2 Liquidity risk

Liquidity risk results from the Company's potential inability to meet its financial liabilities, e.g. settlement of borrowings and paying its suppliers. The responsibility for liquidity risk management rests with the Board of Directors of the Company and their approach in this regard is to ensure that the Company always has sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. Beyond effective working capital and cash management, the Company mitigates liquidity risk by arranging short term financing from highly rated financial institutions.

The maturity profile of the Company's financial liabilities based on the contractual amounts is as follows:

	2016		2015	
	Carrying amount	Contractual cash flows	Carrying amount	Contractual cash flows
	Rupees		Rupees	
Maturity upto one year				
Short term borrowings	285,691,438	285,691,438	182,384,682	182,384,682
Markup accrued	5,207,812	5,207,812	4,407,640	4,407,640
Trade and other payables	169,136,369	169,136,369	180,064,124	180,064,124
	460,035,619	460,035,619	366,856,446	366,856,446
	460,035,619	**460,035,619**	**366,856,446**	**366,856,446**

32.3 Market risk

Market fluctuations may result in cash flow and profit volatility risk for the Company. The Company's operating activities as well as its investment and financing activities are affected by changes in foreign exchange rates, interest rates and security prices. To optimize the allocation of the financial resources as well as secure an optimal return for its shareholders, the Company identifies, analyzes and proactively manages the associated financial market risks. The Company seeks to manage and control these risks primarily through its regular operating and financing activities.

Foreign currency risk management

PKR is the functional currency of the Company and exposure arises from transactions and balances in currencies other than PKR as foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. The Company's potential currency exposure comprise;

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currency other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy. The Company does not enter into forward exchange contracts.

NOTES TO THE FINANCIAL STATEMENTS
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Exposure to foreign currency risk

The Company's exposure to foreign currency risk was as follows based on following amounts:

	2016 USD	2015 USD
Trade debts	200,198	400,700
Bank balances and investments	622,015	545,752
Trade creditors	268,814	(130,065)
	1,091,027	**816,387**

The significant exchange rates applied during the year were:

	Average rate		Reporting date closing rate	
	2016 Rupees	2015 Rupees	2016 Rupees	2015 Rupees
USD 1	**103.00**	**101.52**	**104.50**	**101.50**

Sensitivity analysis

A 10 percent weakening of the PKR against the USD at 30 June would have increased profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2016 Rupees	2015 Rupees
Profit and loss account	11,401,234	8,286,328

A 10 percent strengthening of the PKR against the USD at 30 June would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period. The Company adopts a policy to ensure that interest rate risk arising on its financial assets is minimized by investing in fixed rate investments like TDRs.

Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	2016 %	2015 %	2016 Rupees	2015 Rupees
Financial assets				
Fixed rate instrument				
Other financial assets- Term deposit receipts	1.26	1.45	57,475,000	50,750,000
Variable rate instrument				
Bank balances- Deposit accounts	3.75	7.00	17,445	1,454,010
			57,492,445	**52,204,010**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016 %	2015 %	2016 Rupees	2015 Rupees
Financial liabilities				
Variable rate instrument				
Short term borrowings	7 - 8.01	4.50 - 11.43	285,691,438	182,384,682
			285,691,438	**182,384,682**

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not have derivatives as hedging instruments recognized under fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased / decreased profit or loss by Rs. 2,571,718 (2015: Rs. 2,473,961).

Price risk

The Company is exposed to price risk because of investment in marketable securities held by the Company in ABL Income Fund, Faysal Money Market Fund and UBL Liquidity Plus Fund. These investments are classified as "investments at fair value through profit or loss held for trading. The Company makes investment in securities in accordance with the Board of Directors approval.

Sensitivity analysis – Equity price risk

A change of Rs. 1 in value of investment at fair value through profit and loss would increase/decrease profit by Rs. 17,051,940 (2015: Rs. 15,871,216).

32.4 Fair value of financial assets and liabilities

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	Carrying amount				Fair Value			
Financial assets and liabilities	**Loans and receivables**	**Held at fair value through profit or loss**	**Other financial assets and liabilities at amortized cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
30 June 2016	Rupees				Rupees			
Trade debts- net	231,358,044	-	-	231,358,044	-	-	-	-
Advances	950,660	-	-	950,660	-	-	-	-
Trade deposits	2,666,576	-	-	2,666,576	-	-	-	-
Other receivables	292,938	-	-	292,938	-	-	-	-
Short term investments	57,475,000	381,953,293	-	439,428,293	381,953,293	-	-	381,953,293
Long term deposits	1,778,600	-	-	1,778,600	-	-	-	-
Cash and bank balances	29,908,284	-	-	29,908,284	-	-	-	-
Total financial assets	324,430,102	381,953,293	-	706,383,395	381,953,293	-	-	381,953,293
Non financial assets				763,311,462	-	-	-	-
Total assets				1,469,694,857	381,953,293	-	-	381,953,293

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Financial assets and liabilities	Carrying amount				Fair Value			
	Loans and receivables	Held at fair value through profit or loss	Other financial assets and liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
30 June 2016	Rupees				Rupees			
Financial liabilities								
Short term borrowings	-	-	285,691,438	285,691,438	-	-	-	-
Markup accrued	-	-	5,207,812	5,207,812	-	-	-	-
Trade and other payables	-	-	169,136,369	169,136,369	-	-	-	-
Total financial liabilities	-	-	460,035,619	460,035,619	-	-	-	-
Non financial liabilities				85,112,610	-	-	-	-
Total liabilities				545,148,229	-	-	-	-

Financial assets and liabilities	Carrying amount				Fair Value			
	Loans and receivables	Held at fair value through profit or loss	Other financial assets and liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
30 June 2015	Rupees				Rupees			
Trade debts- net	249,482,151	-	-	249,482,151	-	-	-	-
Advances	882,736	-	-	882,736	-	-	-	-
Trade deposits	3,074,622	-	-	3,074,622	-	-	-	-
Other receivables	280,630	-	-	280,630	-	-	-	-
Short term investments	50,750,000	336,157,672	-	386,907,672	336,157,672	-	-	336,157,672
Long term deposits	1,578,600	-	-	1,578,600	-	-	-	-
Bank balances	34,401,396	-	-	34,401,396	-	-	-	-
Total financial assets	340,450,135	336,157,672	-	676,607,807	336,157,672	-	-	336,157,672
Non financial assets				696,709,812	-	-	-	-
Total assets				1,373,317,619	336,157,672	-	-	336,157,672
Financial liabilities								
Short term borrowings	-	-	182,384,682	182,384,682	-	-	-	-
Markup accrued	-	-	4,407,640	4,407,640	-	-	-	-
Trade and other payables	-	-	180,064,124	180,064,124	-	-	-	-
Total financial liabilities	-	-	366,856,446	366,856,446	-		-	- -
Non financial liabilities				90,349,590	-	-	-	-
Total liabilities				457,206,036	-	-	-	-

Fair value hierarchy

The table analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes has occurred

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

32.4.1 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/ or disclosure purposes based on the following methods.

Investment in fair value through profit and loss account - held for trading

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Non - derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

33 CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and/or issue new shares. There were no changes to Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirement.

34 CAPACITY AND PRODUCTION

Product	Units	Rated Production Capacity	2016	2015
			Actual Production	
Tovex water gel and powder explosives	Kgs	6,000,000	3,334,265	3,590,860
Detonator - plain	Nos.	8,000,000	944,810	4,079,400
Detonator - electric	Nos.	1,000,000	1,290,079	939,228
Safety fuse	Meter	500,000	-	-
Detonating cord	Meter	2,500,000	1,433,000	1,600,550

The shortfall in production of certain products is due to the gap between market demand and the available capacity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

35 DISCLOSURE REQUIREMENTS FOR ALL SHARES ISLAMIC INDEX

Following information has been disclosed with reference to circular No. 14 of 2015 dated 21 April 2016, issued by the Securities and Exchange Commission of Pakistan relating to ''All Shares Islamic Index''.

	Description	Explanation	2016	2015
			Rupees	Rupees
i)	Long term deposits	Non-interest bearing	**1,778,600**	1,578,600
ii)	Trade debts	Non-interest bearing	**231,358,044**	249,482,151
iii)	Advances	Non-interest bearing	**12,583,939**	6,511,353
iv)	Trade deposits and short term prepayments	Non-interest bearing	**4,480,277**	4,587,336
v)	Other receivables	Non-interest bearing	**292,938**	280,630
vi)	Short term investments	Interest bearing	**439,428,293**	386,907,672
vii)	Cash and bank balances as at 30 June 2016	Placed under interest arrangement	**17,445**	1,454,010
		Placed under Shariah permissible arrangement	**29,890,839**	32,947,386
			29,908,284	34,401,396
viii)	Interest income on bank deposits for the year ended 30 June 2016	Placed under interest arrangement	**25,395**	110,306
		Placed under Shariah permissible arrangement	**-**	-
			25,395	110,306
ix)	Interest income on investments for the year ended 30 June 2016	Placed under interest arrangement	**206,677**	4,545,200
		Placed under Shariah permissible arrangement	**-**	-
			206,677	4,545,200
x)	All sources other income	Disclosed in note 23		
xi)	Exchange gain	Earned from actual currency fluctuations	**1,492,486**	66,849
xii)	Dividend income	MCB Dynamic Cash Fund	**-**	1,120,196
		ABL income Fund	**9,427,573**	10,567,068
		Faysal Money Market Fund	**7,410,407**	9,186,604
		UBL Liquidity Fund	**5,752,272**	7,131,031
			22,590,252	28,004,899

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

36. EMPLOYEES PROVIDENT FUND TRUST

	Un-audited 2016 Rupees	Audited 2015 Rupees
Size of the Fund	49,349,642	37,876,865
Investments made	48,362,818	37,300,697
Percentage of investments made	98.00%	98.48%
Fair value of investments	48,477,633	37,300,697
Cost of investment made	48,391,512	34,134,503

Breakup of investments is as follows:	2016		2015	
	Rupees	Total	Rupees	Total
National Saving Certificates	29,400,000	60.79%	25,800,000	69.24%
NAFA Money Market Fund	751,799	1.55%	-	0.00%
NAFA Stock Fund	9,480,439	19.60%	4,857,461	13.04%
Meezan Sovereign Fund	8,730,580	18.05%	6,603,845	17.72%
	48,362,818		**37,261,306**	

All the investments out of provident fund trust have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

37 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors proposed final dividend at the rate of Rs 7.50 per share in its meeting held on 23 September 2016.

38 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company in its meeting held on 23 September 2016.

39 GENERAL

39.1 Figures have been rounded off to the nearest rupee.

39.2 Number of persons employed

	2016	2015
Employees on year end (Number)	146	143
Average employees during the year (Number)	146	133

Islamabad
23 September, 2016

Chairman

Managing Director
&
Chief Executive Officer

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2016

NO. OF SHAREHOLDERS	SHARE HOLDING FROM	SHARE HOLDING TO	TOTAL NUMBER OF SHARES HELD
129	1	100	7,675
245	101	500	101,487
127	501	1,000	120,690
188	1,001	5,000	508,794
29	5,001	10,000	232,401
15	10,001	15,000	209,300
8	15,001	20,000	138,000
6	20,001	25,000	133,564
8	25,001	30,000	235,400
3	30,001	35,000	94,400
1	35,001	40,000	37,500
3	40,001	45,000	132,500
2	45,001	50,000	97,688
5	50,001	60,000	300,000
2	60,001	70,000	133,000
1	70,001	80,000	79,500
2	80,001	90,000	171,200
4	90,001	100,000	400,000
1	125,001	130,000	126,601
1	145,001	150,000	150,000
1	200,001	210,000	210,000
2	225,001	230,000	452,200
1	245,001	250,000	250,000
1	280,001	285,000	280,100
1	290,001	300,000	300,000
1	360,001	365,000	360,400
1	720,001	725,000	720,200
1	780,001	785,000	781,100
1	900,001	1,000,000	973,200
1	1,500,001	1,650,000	1,650,000
1	4,000,001	4,500,000	4,069,000
1	6,000,001	7,000,000	6,544,100
793			20,000,000

SHAREHOLDER'S CATEGORY	NUMBERS OF SHAREHOLDERS	NUMBERS OF SHARES HELD	PERCENTAGE
INDIVIDUALS	767	9,914,393	49.57%
JOINT STOCK COMPANIES	19	6,942,607	34.71%
INSURANCE COMPANIES	3	1,171,500	5.86%
OTHERS	1	16,100	0.08%
MUTUAL FUNDS	3	1,955,400	9.78%
	793	20,000,000	100.00%

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2016

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	% AGE
Directors, CEO & their Spouse and Minor Children			
M. Zafar Khan	1	4,069,000	20.35
Ms. Zishan Afzal Khan	1	720,200	3.60
Khawaja Amanullah Askari & Mrs. Ishrat Askari	1	300,000	1.50
Khwaja Ahmad Hosain	1	226,800	1.13
M. Salim Khan	1	210,000	1.05
M. Afzal Khan	1	150,000	0.75
Adnan Aurangzeb	1	100,000	0.50
M. Humayun Khan	1	60,000	0.30
Ms. Shirin Safdar	1	45,000	0.23
Maj. Gen. (Ret'd) S. Z. M. Askree	1	11,000	0.06
Abdul Maajid Qureshi	1	1,000	0.01
Muhammad Yaqoob & Maliha Yaqoob	1	1,000	0.01
Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, & Modarba	22	1,586,107	7.93
Mutual Funds:			
CDC - Trustee AKD Opportunity Fund	1	280,100	1.40
CDC - Trustee Alfalah GHP Value Fund	1	21,900	0.11
CDC - Trustee Alfalah GHP Stock Fund	1	29,400	0.15
Other Individuals	754	3,994,393	19.97
Shareholders holding 5% or more shares in the Company:			
Orient Trading Ltd (Associated Undertaking)	1	6,544,100	32.72
Ms. Shayan Afzal Khan Abbas	1	1,650,000	8.25
TOTAL	**793**	**20,000,000**	**100.00**

Details of trading in the shares by the Director, CEO, CFO, Company Secretary and their Spouses and minor children:

	Shares Purchased	Shares Sold
1. M. Zafar Khan	10,000	-
2. M. Salim Khan	10,000	10,000

FORM OF PROXY

The Secretary
Biafo Industries Limited
1st Floor, Biafo House,
Plot No. 23, Street No. 38-40
I&T Centre, G-10/4,
Islamabad.

I/We ________________________________ of ________________________________ being member of BIAFO INDUSTRIES LIMITED and Holder of ____________ Ordinary Shares as per Share Register Folio (Number) ____________ and / or CDC Participant I.D. No. __________ and Sub Account No. ______________ hereby appoint ___________________of__________________(Name)

as my/our proxy to vote for me/us and on my/our behalf at the 28th Annual General Meeting of the Company to be held at its registered office, 1st Floor, Biafo house, Plot No. 23, St No. 38-40, I&T Centre, G-10/4, Islamabad on October 28, 2016 and any adjournment thereof.

Signed ____________________ day of ____________________ 2016

Signature

(Signature should agree with the specimen signature registered with the Company)

WITNESSES:

1. Signature ______________________
   Name ______________________
   Address ______________________
   ____
   NIC or ______________________
   Passport No.______________________

2. Signature ______________________
   Name ______________________
   Address ______________________
   ____
   NIC or ______________________
   Passport No.______________________

Note:
1. A member entitled to be present and vote at the Meeting may appoint a proxy to attend and vote for him/her. A proxy need not be a member of the Company.
2. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the Meeting.
3. CDC Shareholders and their Proxies must each attach an attested photocopy of their National Identity Card or Passport with the proxy form.


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